

Senate Democratic Policy Committee Hearing

An Oversight Hearing on Post-Katrina Reconstruction: Has the Federal Government Left Gulf Coast Residents and Businesses Behind?

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Good morning Senators, my name is Errolyn Letellier. I would like to thank you for your time and attention.

My husband and I purchased the Rockery Ace Hardware store in the Lakeview area of New Orleans over 12 years ago. My husband runs the store, and I am a bookkeeper for a local real estate investor. We are the third generation to operate Rockery Ace hardware, which was founded by my husband's grandfather in 1942. Our business was thriving before Katrina. When the Corps of Engineers' 17th Street canal flood wall failed, it was inundated by eight feet of muddy lake water.

After the water went down, which took two weeks, we returned to the area, on September 21, 2005. We were refused access to our business by military police. After contacting a friend who is a police officer, we were refused entry at two checkpoints, but were let through on the third. When we arrived at the store, we found one of the front windows blown out. My husband entered the store wearing a respirator, to retrieve the checkbook and a few other documents that he could carry. I will never forget the smell that day. Then Hurricane Rita came, and the city was locked down even tighter than before. We were unable to access the city for two more weeks. By the time we returned to our business, it had been looted of what few items remained.

My application for a small business disaster loan was prepared professionally and submitted on October 7, 2005, to the Small Business Administration (SBA) through a FEMA recovery center in our area. In December 2005, after a two-month wait, I started to receive phone calls from the SBA regarding my application. I was told that we would receive the money faster if we took \$150,000, which is less than half of what we needed to rebuild and restock our business. I was later told that we could apply for a loan modification for the remainder. I agreed, thinking some money is better than none. We were desperate. We were approved for \$150,000 before the year ended and I thought "Wow, we will start the new year with hope for the future."

At that time we were forced to begin selling off our investment stocks and taking money from our retirement accounts to rebuild the business. Our SBA loan closing was then scheduled for March 5 at 5:00 in the evening, over six months after the storm. I was given a list of items to bring to the closing: property, windstorm, and flood insurance for our family home and a piece of property we neither own nor lease. I asked that the address for this unknown property be corrected before the closing, but was told the correction would delay the closing. So I prepared all the necessary documents, insurance papers on our home and business, and copies of all invoices for expenses that had been paid to date.

Around 2:30 in the afternoon of our scheduled closing appointment, we received a phone call that my father-in-law had collapsed while cutting the grass, and that an ambulance had been called. We immediately got in the car and drove to the hospital. Around 4:00 that day, he passed away. We knew that if we missed the closing it would take weeks to reschedule, so we left the hospital and went directly to the SBA closing appointment.

When we sat down with the SBA representative, we told her what had just happened to my father-in-law. While my husband and I were sitting down at the table with her, she proceeded to receive calls on her cell phone, make dinner plans, and type on her computer. The SBA's closing attorney walked up and gave her a strange look. The paperwork was then explained to us, and she proceeded to ask for all the items I was told in advance to bring. I gave her everything that was asked except the information on the property that I knew nothing about. I told her that she needed the Flood Insurance for our business address. She would not take the document even after I insisted. We were later told they were needed, and that failing to turn them over had delayed disbursement of our loan. While finishing up, she said we could get an advance of \$10,000. I told her what expenses we had already incurred and that \$10,000 was not enough. The attorney stepped in and said that we should receive more for our first distribution. By the time we left, we scheduled to receive a \$50,000 automatic deposit into our bank account.

As we were leaving the building, the attorney called us to the side. He told us we were the third couple that day this had happened to, and that we should have received \$80,000 for economic injury and all the money we had paid out to date. This totaled approximately \$140,000. Now we had to go back to the hospital to deal with my father-in-law's death wondering what hurdles were ahead of us in order to receive the loan amount needed to rebuild our financial lives.

As of the week of May 8, we have received only the first installment of \$50,000, even after submitting all of the invoices paid to date and copies of contracts for work in progress.

As a recent news story in New Orleans revealed, it seems the process for an SBA disaster loan is quick and efficient only if a U.S. Senator or two gets involved, walks the application through the process, then personally delivers the check to the applicant.

Otherwise the process is a never-ending series of phone calls and questions that drag on and on.

The first time my husband and I borrowed money to start our business, we paid off the loan in three and a half years. My first question to you is: Should it take the government seven months to process a loan for a fraction of what we need to get back in business? Should taxpayers who have never asked anything of the government be made to run a gauntlet of bureaucracy simply to receive a helping hand? It's a helping hand that will provide a much-needed service to a devastated community trying to rebuild.

The SBA disaster loan process is broken for the average business owner. Please help us to help ourselves. If the SBA disaster loan process was made more accountable and user-friendly, then we who have suffered due to the failures of the U.S. Army Corps of Engineers could at least know that our suffering and hard work will eventually reap its own rewards.